



BUDGET COMMITTEE



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**Senate Budget Committee Chairman Judd Gregg
Senate Floor Remarks on Medicaid Provisions of Deficit Reduction Act
December 20, 2005**

Unofficial Transcript

Senator Gregg: I just wanted to respond a little bit to what the Senator from Montana said. I have immense respect for the Senator from Montana. He is one of the members around here who is always constructive and wants to move things forward in a way that is usually bipartisan.

But I do feel on the issue of the Medicaid accounts, he is just inconsistent with where we ended up. The Medicaid issue is really at the essence of this effort to reduce debt through this deficit reduction bill. And why is that? Well, because we know, as we look into the out years, the biggest problem we have as a federal government from the standpoint of fiscal policy is that we have this huge obligation. I'm told by my staff that the Comptroller's Office said it was \$51 trillion of unfunded liability that the American people, especially our children and our children's children, are going to have to pay in order to support the retired population that is now called the Baby Boom generation. Of that \$51 trillion -- it's impossible to conceive of that number -- the majority of which represents health care costs in two accounts, Medicaid and Medicare.

Why is that? It's because the retiring generation is so huge that it's going to bankrupt our children if we don't do something about addressing it. We know that by the year 2030, under the present flow of spending, that the federal government, which takes 20% of the Gross National Product for everything we do-- national defense, education, laying out roads, environmental protection and health care and veterans care -- we know by 2030 that 20% of the Gross National Product will have to be spent on just three accounts: Social Security, Medicaid and Medicare.

You've got to reform these programs. So this bill put our toe in the water, hopefully up to our ankles, on one of those three major entitlement accounts. The proposals in this bill on Medicaid came to us as a Congress from the state governors in a bipartisan commission. The governors got together and said, "How can we improve the Medicaid program? How can we give more services to more children, but do it more effectively, thus costing less money and having the rate of growth of Medicaid slow a little bit?" They came forward with a number of proposals which we essentially adopted in this bill. And the practical effect of that is that we will expand coverage to children. It's expected that about one million children who are not covered under Medicaid will be picked up on this bill as a result of giving the governors more flexibility.

And the concept, as the Senator from Montana said, the concept that we are savaging the Medicaid accounts during the Christmas season is just not defensible on its face. We will spend \$1.2 trillion over this next five years on Medicaid. We're talking about reducing Medicaid spending during that period by \$5 billion.

To give you a chart that reflects what type of reduction that is, the green line is Medicaid spending. The red line is Medicaid spending after this event, after this passes. There can be no difference because Medicaid spending goes up so dramatically during this period. And when you reduce it by \$5 billion, you literally are not dramatically reducing the Medicaid benefits. Literally. The numbers still go up. You can't even calculate it in terms of a digit.

For example, Medicaid spending is going to go up 40% during the next five years. After this bill, Medicaid spending is going to go up 40% in the next five years. So this representation that we're doing some sort of terrible event to Medicaid is just absurd on its face because the numbers don't defend it.

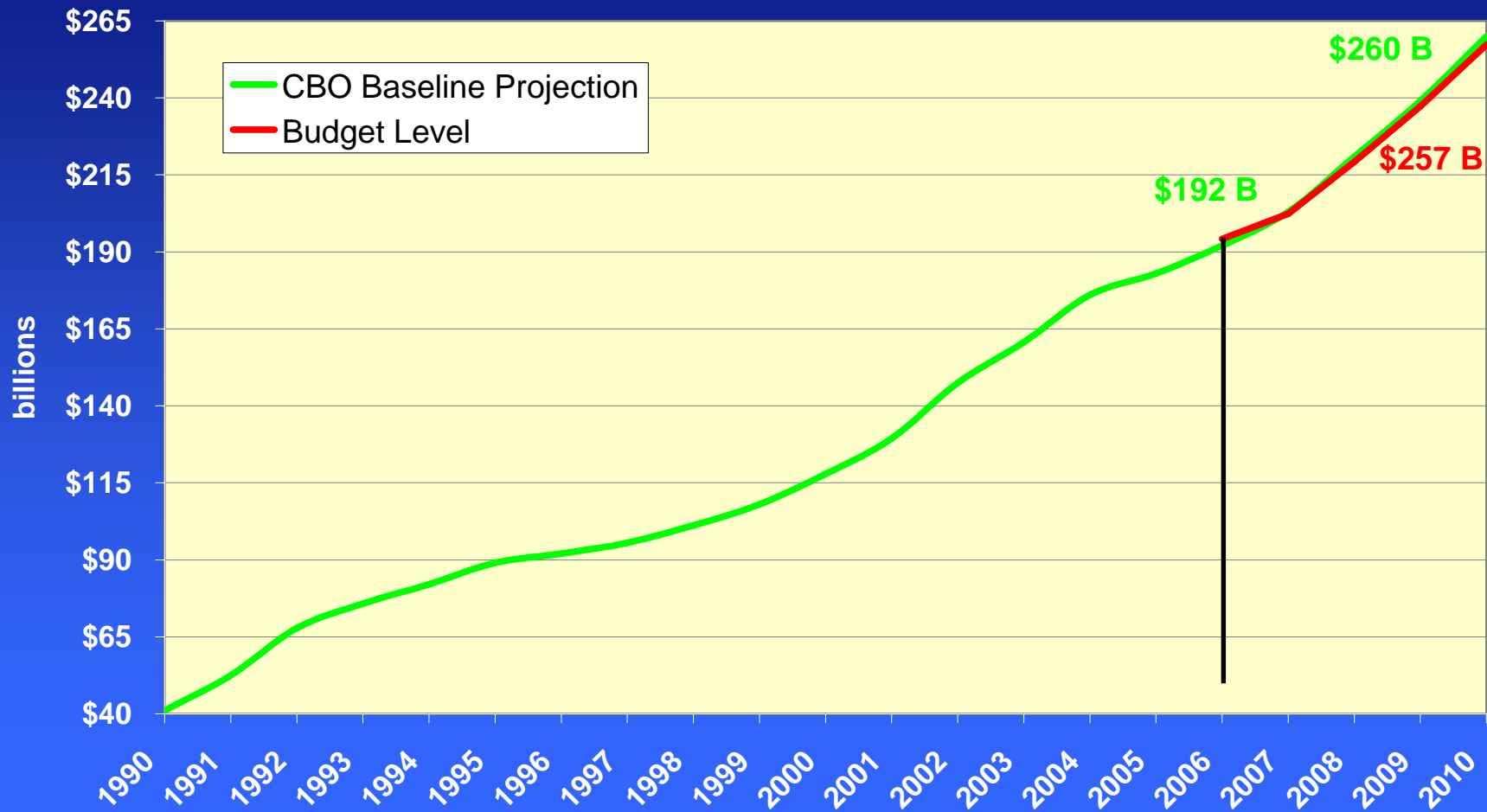
What is in this bill that is important relevant to Medicaid is the new policy, which is going to give the governors more flexibility. It is going to keep Medicaid from being abused and gamed by people, people who are worth millions of dollars -- or hundreds of thousands of dollars, basically taking their obligations to pay for their retirement and putting it on the American taxpayer generally. That will end what is called spend-down. And governors will be given flexibility to try to reorganize their Medicaid programs so they can deliver more service to more people. So I just have to disagree strongly with the representation that somehow we have cut Medicaid. We haven't cut it. The facts are that Medicaid is going to grow 40% over the five-year period.

I wanted to get a little more of a reduction in the rate of growth. I wanted to see us do \$15 billion. But we compromised as a result of a lot of different influences around here, had \$5 billion on a \$1.1 trillion base. It doesn't even show up as a statistical change over those five years. But what is important in this bill is the policy which in later years, and hopefully as we move through this period, will allow governors to deliver this program more effectively to more people at less of a rate of growth. And we have to address this. I mean, we can continue to bury our head in the sand. And we've done that now for eight years. We haven't addressed the entitlement accounts for eight years. This is the first time we've tried actually to step on to this area which represents 60% of federal spending.

But if we continue to bury our heads in the sand and don't pass this type of small step forward in the area of trying to put better policies in place for these health care programs, all we're doing is saying to our children, "We don't have the courage to step up and try to give you a chance to have a decent lifestyle. We're going to take advantage of you. We're going to tax you so when you want to send kids to college you won't be able to afford it, or when you want to buy a house you won't be able to afford it because your tax burden will be so high to support this entire generation, which is so huge."

It's not right. It is not right for people who are policy-makers to take that position. We should step on to this turf called entitlement spending and that's what this bill does, and that is why I think it's important that we pass it. So I will yield the floor. ###

MEDICAID SPENDING RESTRAINT IS ACHIEVABLE



Source: CBO, OMB